

Message Text

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ACTION EB-07

INFO OCT-01 EA-07 NEA-10 ISO-00 L-03 FRB-03 OMB-01 ITC-01

SP-02 USIA-06 AGRE-00 AID-05 CIAE-00 COME-00 INR-07

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FM AMEMBASSY KATHMANDU

TO SECSTATE WASHDC 7263

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E.O. 11652: N/A

TAGS: ETRD, NP

SUBJECT: UNCTAD JUTE CONSULTATIONS

REF: STATE 007242

1. JUTE REMAINS NEPAL'S MOST IMPORTANT CONVERTIBLE EXCHANGE CROP AND A MAJOR ELEMENT IN ITS INDUSTRIAL PLANNING. THE CURRENT FIVE YEAR PLAN, FOR EXAMPLE,

CALLS FOR A SUBSTANTIAL INCREASE IN JUTE PRODUCTION BY 1980 FROM CURRENT LEVEL OF 41,000 METRIC TONS TO 90,000 TONS. FIVE YEAR GOALS INCLUDE 50,000 METRIC TONS FOR EXPORT AND CONSTRUCTION OF NINE TO FIFTEEN JUTE WAREHOUSES. EXPORTS IN 1975/76 OF RAW JUTE AND JUTE PRODUCTS TOTALED \$10.3 MILLION WHICH ACCOUNTS FOR 11 PERCENT OF COUNTRY'S TOTAL EXPORTS.

2. THERE ARE CURRENTLY TWO JUTE MILLS IN COUNTRY WITH TOTAL CAPACITY OF 13.5 METRIC TONS. BOTH ARE BEING
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EXPANDED AND MODERNIZED WITH LOAN ASSISTANCE FROM ASIAN DEVELOPMENT BANK. MODERNIZATION IS ABOUT 85 PERCENT COMPLETE AND WILL BE FINISHED BY END OF THE YEAR GIVING MILLS TOTAL CAPACITY OF NEARLY 25,000 TONS. THIRD MILL IS EXPECTED TO ENTER PRODUCTION BY 1978.

3. GOVERNMENT IN 1974 ESTABLISHED A JUTE DEVELOPMENT

AND TRADE CORPORATION WITH OBJECTIVES OF EXPANDING JUTE CULTIVATION, IMPROVING QUALITY OF JUTE, AS WELL AS CONDUCTING RESEARCH ON CULTIVATION. CORPORATION HAS ALSO STABILIZED PRICE OF JUTE AND IS SOLE LEGAL PURCHASER OF COUNTRY'S PRODUCTION. PRICES ARE SET BY CORPORATION EVERY YEAR UPON ADVICE OF A PRICE FIXING BOARD MADE UP OF PRODUCERS AND TRADERS. GOVERNMENT HAS GRANTED EXPORTERS A 45 TO 50 PERCENT EXPORT BONUS IN FOREIGN EXCHANGE TO ALLOW THEM TO COVER LOSSES THROUGH IMPORT OF FOREIGN GOODS. JUTE/RICE PRICE PARITY IN DOMESTIC MARKET HAS BEEN SET AT 1.35 TO 1.

4. GOVERNMENT CONTINUES TO INVEST HEAVILY IN JUTE RESEARCH AND IS CURRENTLY BUILDING \$500,000 JUTE RESEARCH FARM IN SUNSARI DISTRICT. ASIAN DEVELOPMENT BANK WILL PROVIDE AGRONOMIST FOR PROJECT. INTRODUCTION OF TECHNICAL ASSISTANCE SINCE RECENT YEARS HAS ALLOWED FARMERS TO UTILIZE NEW VARIETIES OF JUTE WHICH NOW ACCOUNT FOR OVER 50 PERCENT OF LAND UNDER JUTE CULTIVATION IN 1976. IN THIS REGARD WE NOTE THAT JUTE INTERNATIONAL HAS PROPOSED TO ESTABLISH ITS AGRICULTURAL SECTION IN NEPAL. WE WOULD EXPECT THAT IT WOULD INCORPORATE CURRENT HMG RESEARCH PROJECTS.

EAVES

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